



Payday loans



September 2018

If you speak French

In many cases you have the right to government services and legal proceedings in French, including hearings before French-speaking decision-makers.

If you have a legal problem, you can ask a lawyer or a community legal clinic about your French language rights.

Si vous parlez français

Il existe de nombreuses situations où vous avez droit à des services gouvernementaux et à des procédures juridiques en français. Ainsi, vous pouvez avoir droit à ce qu'une audience à laquelle vous êtes partie soit tenue devant un décideur qui parle français.

Si vous avez un problème juridique, vous pouvez demander à un avocat ou à un intervenant d'une clinique juridique communautaire de vous informer des droits linguistiques liés au fait de parler français.

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III What is a payday loan?

A payday loan allows you to quickly borrow cash that you promise to repay when you get your next paycheque or your next social assistance, disability, pension, or other regular income payment.

III Who are payday lenders?

Payday lenders are businesses that give loans to people who cannot get a loan from a bank or credit union. They usually charge much higher interest and fees than banks and credit unions.

You can often find them in strip malls and other store-front offices. Some payday lenders offer their services online. They often have the words “cash” or “money” in their names.

Payday lenders may offer other services too, like buying gold or cashing cheques. However, they cannot force you to use these other services in order to get the loan. They cannot offer you other services while you are in the process of getting a loan from them.

Payday lenders must get a licence from the Ontario Ministry of Government and Consumer Services. The licence must be clearly displayed in the store, or on the website if they make loans over the internet.

III How does a payday loan work?

Payday loans are loans that you agree to repay in a short time, usually 14 to 28 days, but no more than 62 days. The most money you can borrow in a payday loan in Ontario is \$1,500.

Payday lenders cannot ask you for “collateral” or for someone to be your “guarantor”. They usually want proof that you have a regular income, a bank account, and a permanent address. A lender is allowed to call your employer to confirm details of your employment. They are not allowed to contact anyone else about your loan.

III How much can I borrow?

Payday lenders have to ask you about your regular income for the past month. They then use this to figure out your “net income”, which is supposed to represent a typical pay period. The law sets out exactly how they must figure out this amount.

They are not allowed to lend you more than **half** of this amount in any one loan.

III How many payday loans can I get?

You are not supposed to be able to get more than one payday loan at a time. A payday lender is not allowed to give you another loan until your previous payday loans have been fully paid off. And loan brokers are not allowed to help you get a payday loan from a different lender until you have paid off the previous ones.

III Paying a loan back in instalments

Usually payday loans have to be paid back all at once, at the end of the term of the loan. But if the loan you are applying for is your third one or more from the same lender within a 63-day period, the lender must offer you an “extended payment plan”.

In an extended payment plan, you pay back the loan in more than one payment, often called instalments. The amount and number of instalments depends on when you get your regular income.

If you get paid once a month or less frequently (for example if you receive OW or ODSP benefits), your payments must be spread out over at least 2 pay periods. Each payment cannot be more than 50% of the total amount you owe.

If you get paid more frequently than that (for example, twice a month, weekly, or every two weeks from EI or from your employer), your instalments must be spread out over at least 3 pay periods. Each payment cannot be more than 35% of the total amount you owe.

III **What must lenders tell me before I get a payday loan?**

Any advertisement containing information about a payday loan must tell you:

- the most interest and fees that they can charge you legally for the loan, which is \$15 for every \$100 you borrow,
- when you must repay the loan,
- the total amount you must repay,
- what it would cost to borrow \$500, and
- what that cost would be as an annual interest rate for a 14-day loan.

Loan agreements

If the payday lender approves you for the loan, you will have to sign a loan agreement promising to repay all the money they gave you plus all the interest charges and any other fees they charge you.

The lender must:

- give you a copy of the agreement as soon as you sign it,
- give you the full loan amount – they cannot deduct or withhold any fees or charges from the loan amount, and
- give you the money right after you sign the agreement in person or within one hour if you make the agreement online.

The loan agreement must:

- be in writing,
- tell you exactly how much you need to repay,
- tell you that you can cancel the loan during a 2-day cooling off period,
- be printed in large enough type that most people can see easily,
- include a chart that tells you exactly how much the loan will cost you and when you have to repay it, and
- show the “default interest rate” which is how much interest you will be charged if you do not repay the loan on time.

Here is a sample chart for a \$400 loan made on December 1, 2018:

Details of a Payday Loan Agreement	
Amount Borrowed	\$400
Term of the Agreement in Days	14
Total Cost of Borrowing	\$56
Maximum Allowable Cost per \$100 Borrowed	\$15
Cost per \$100 Borrowed	\$14
Equivalent Annual Percentage Rate	365%
This loan is your third or subsequent one in 63 days and qualifies for an extended payment plan	No
Payment 1: Amount and Due Date	\$456 on December 14, 2018
Payment 2: Amount and Due Date (if applicable)	N/A
Payment 3: Amount and Due Date (if applicable)	N/A
Default Interest Rate	59.9%
Borrower's Signature	

III How do I repay the loan?

Usually the lender will want you to repay the loan with either:

- a **preauthorized debit form**, which takes money directly out of your bank account on the agreed date, or
- a **postdated cheque** from your regular bank account. You sign the cheque with the date in the future that you expect to have money in your account. The payday lender will cash the cheque on that date.

A payday lender cannot take your pay directly from your employer to repay the loan. This means they cannot ask you to sign a “wage assignment” or other document that would let them take your pay.

You can repay all or part of a loan at any time before it is due. You still have to pay the interest and fees you agreed to, but the lender cannot charge you extra for repaying early.

III What if I change my mind?

You can cancel the agreement up to the end of the second day after you signed it. (If the lender is closed on the second day, you have until the end of the next day they are open after that.)

You can cancel anytime if any of these things are true:

- the lender did not give you the money as soon as you signed the agreement (or within one hour if you made the agreement online or over the telephone),
- the lender did not give you a copy of the agreement as soon as you signed it, or
- the agreement does not follow all the rules.

You do not have to give a reason for cancelling. You have to return the money you borrowed but you do not have to pay any fees.

The lender must give you a receipt and return any postdated cheques or debit forms you gave them.

III What if I can't repay the loan?

If you can't repay the loan on time, the lender can add late fees and other charges to your loan. They can also charge interest for the time after your payment was due. This can be up to 60% as an annual interest rate.

These extra fees will make the loan even more difficult to pay off. Your bank will probably also charge you a fee if there was not enough money in your account to cover the payment.

The payday lender may send your file to a collection agency, which will affect your credit score and make it harder to get loans in the future.

The lender can also sue you in Small Claims Court. If the lender wins in court, the court might allow them to take some of your money or property. The court might also allow the lender to take money directly from your paycheque. This is called “garnishing your wages”.

If you can't repay the loan on time, it is best to talk to the lender to try to work out a new payment plan. But the lender is not allowed to give you a new loan until the first one is paid off.

Rules for lenders if you don't repay the loan

If your loan is in default – which means you have missed a payment – the lender may contact you by phone or even in person. Lenders can contact you only on Mondays to Saturdays from 7 a.m. to 9 p.m. and Sundays from 1 p.m. to 5 p.m. They are not allowed to contact you on statutory holidays or more than 3 times during any 7-day period.

They are not allowed to threaten or swear at you, try to bully you into paying, or harass you.

If the lender cannot get in touch with you, they may call your friends, family, and employer to try to find out how to reach you. But they are not allowed to ask these people anything else or give them any information about your loan.

III What can I do if I have a problem with a payday lender?

If you think a payday lender has not followed all the rules and has violated your rights, you can file a complaint with the Ministry of Government and Consumer Services. Lenders who do not follow the rules can get a warning, a fine, or even lose their licence.

You can also ask the Ministry to investigate and to prosecute the lender under the Payday Loans Act. If the lender is convicted, they may be ordered to repay some of your money to you. They may also have to pay a fine, or even be sent to jail.

To contact the Ministry of Government and Consumer Services:

Toll-free **1-800-889-9768**

Toronto area **416-326-8800**

TTY Toll-free **1-877-666-6545**

TTY Toronto area **416-229-6086**

Fax **416-326-8665**

Website www.ontario.ca/mcs

Email consumer@ontario.ca

Mailing Address:

Ministry of Government and Consumer Services
Consumer Services Operations Division
77 Wellesley Street West, P.O. Box 450
Toronto, ON M7A 2J6

III For more help

If the Ministry of Government and Consumer Services does not solve your problem, you may want to get legal help. Here are some places to try.

Community legal clinics

Some community legal clinics or law school legal clinics can help you with consumer law problems. You must be financially eligible to receive these services. If your clinic cannot help, they might be able to refer you to other services in your community.

To find the legal clinic that serves your area, visit the Legal Aid Ontario (LAO) website at www.legalaid.on.ca or call Legal Aid Ontario at:

Toll-free **1-800-668-8258**

Toronto area **416-979-1446**

Toll-free TTY **1-866-641-8867**

Toronto area TTY **416-598-8867**

Law Society Referral Service

The Law Society of Ontario has a directory of all lawyers and paralegals licensed to practise in Ontario. The Law Society Referral Service can give you the name of a lawyer or paralegal in your area who can give you a free consultation for up to 30 minutes. There is no charge for this referral service.

Visit the Law Society website at www.lso.ca and click on “**Public Resources**” and then “**Finding a Lawyer or Paralegal**”.

JusticeNet

JusticeNet is a not-for-profit organization that helps people who do not qualify for Legal Aid to find legal help. JusticeNet has an online directory of lawyers, paralegals, and mediators who provide legal services at reduced rates to people who earn less than \$59,000. You must register and pay a \$25 fee to use the directory. This fee may be returned to you if you don't find a professional to work with. Visit their website at www.justicenet.ca or contact them at:

Toll-free **1-866-919-3219**

Toronto area..... **416-479-0552**

Email..... info@justicenet.ca

Pro Bono Ontario

If you are suing or being sued in court, you may be able to get help from Pro Bono Ontario. This free program offers information about court rules and help with completing court forms. If you qualify, you may also be able to get brief legal advice or, if your case is in Toronto or Ottawa, a lawyer to represent you in court. For more information call **1-855-255-7256** or visit their website at www.probonoontario.org.

III Other information

CLEO's **Steps to Justice** website has step-by-step information about common legal problems, including debt and consumer rights. Visit www.stepstojustice.ca.

This booklet gives only general information. You should get legal advice about your own situation.

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CLEO has more free publications on Debt and Consumer Rights and other legal topics. We revise our publications regularly to reflect changes in the law. Our Discard List tells you which publications are out of date and should be thrown away.

For our Discard List, or to order or view our publications online, visit www.cleo.on.ca. You can reach us by phone at **416-408-4420**.

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